Accounting Information Systems

Chapter 7

Wild and Shaw

Fundamental Accounting Principles

25th Edition

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Chapter 7 Learning Objectives

CONCEPTUAL

C1 Identify the principles and components of accounting information systems.

C2 Explain special journals, controlling accounts, and subsidiary ledgers.

ANALYTICAL

A1 Compute days' payable outstanding and explain its use in assessing payments to suppliers

PROCEDURAL

P1 Journalize and post transactions using a sales journal.

P2 Journalize and post transactions using a cash receipts journal.

P3 Journalize and post transactions using a purchases journal.

P4 Journalize and post transactions using a cash payments journal.

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Learning Objective C1

Identify the principles and components of accounting information systems.

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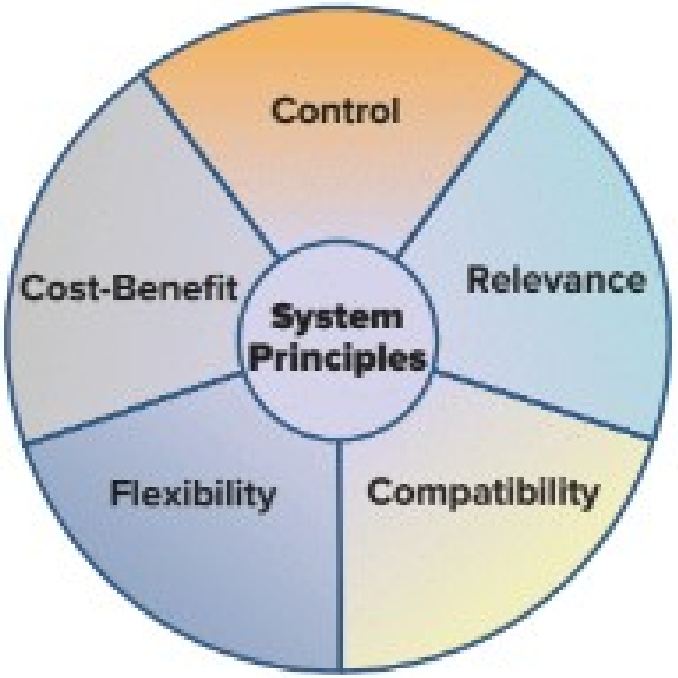
System Principles

Exhibit 7.1



Accounting information systems collect and process data from transactions and events, organize them in reports, and communicate results to decisions makers.

Learning Objective C1: Identify the principles and components of accounting information systems.

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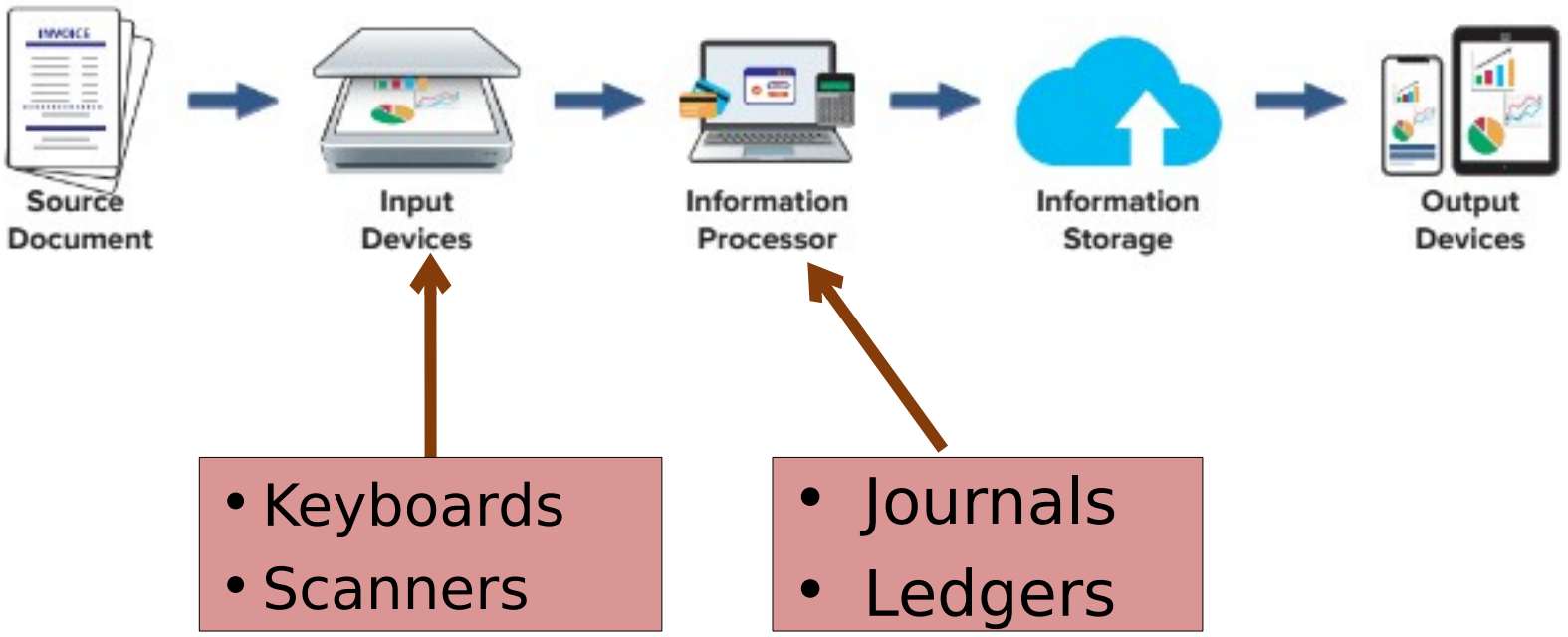
System Components

Increasingly, source documents are electronic files creating a "paperless" system.

Exhibit 7.2



Learning Objective C1: Identify the principles and components of accounting information systems.

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Learning Objective C2

Explain special journals, controlling accounts, and subsidiary ledgers.

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Special Journals and Subsidiary Ledgers

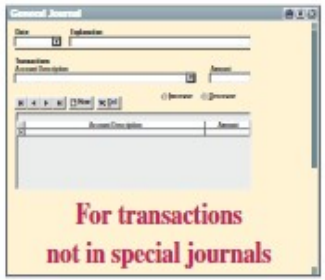
Exhibit 7.3

Sales Journal

Cash Receipts Journal

Purchases Journal

Cash Payments Journal



General Journal

Learning Objective C2: Explain special journals, controlling accounts, and subsidiary ledgers.

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Subsidiary Ledgers

Characteristic	Controlling Account	Subsidiary Ledger
Amounts due from customers	Accounts Receivable	Accounts Receivable Ledger
Amounts owed	Accounts	Accounts Payable

Subsidiary ledgers are a listings of individual accounts with common characteristics.

Learning Objective C2: Explain special journals, controlling accounts, and subsidiary ledgers.

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Accounts Receivable and Accounts Payable Ledgers

Exhibit 7.4

After all items are posted, the balance in the accounts receivable controlling account is **equal to** the sum of the balances in the accounts receivable subsidiary ledger.

Learning Objective C2: Explain special journals, controlling accounts, and subsidiary ledgers.

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Learning Objective P1

Journalize and post transactions using a sales journal.

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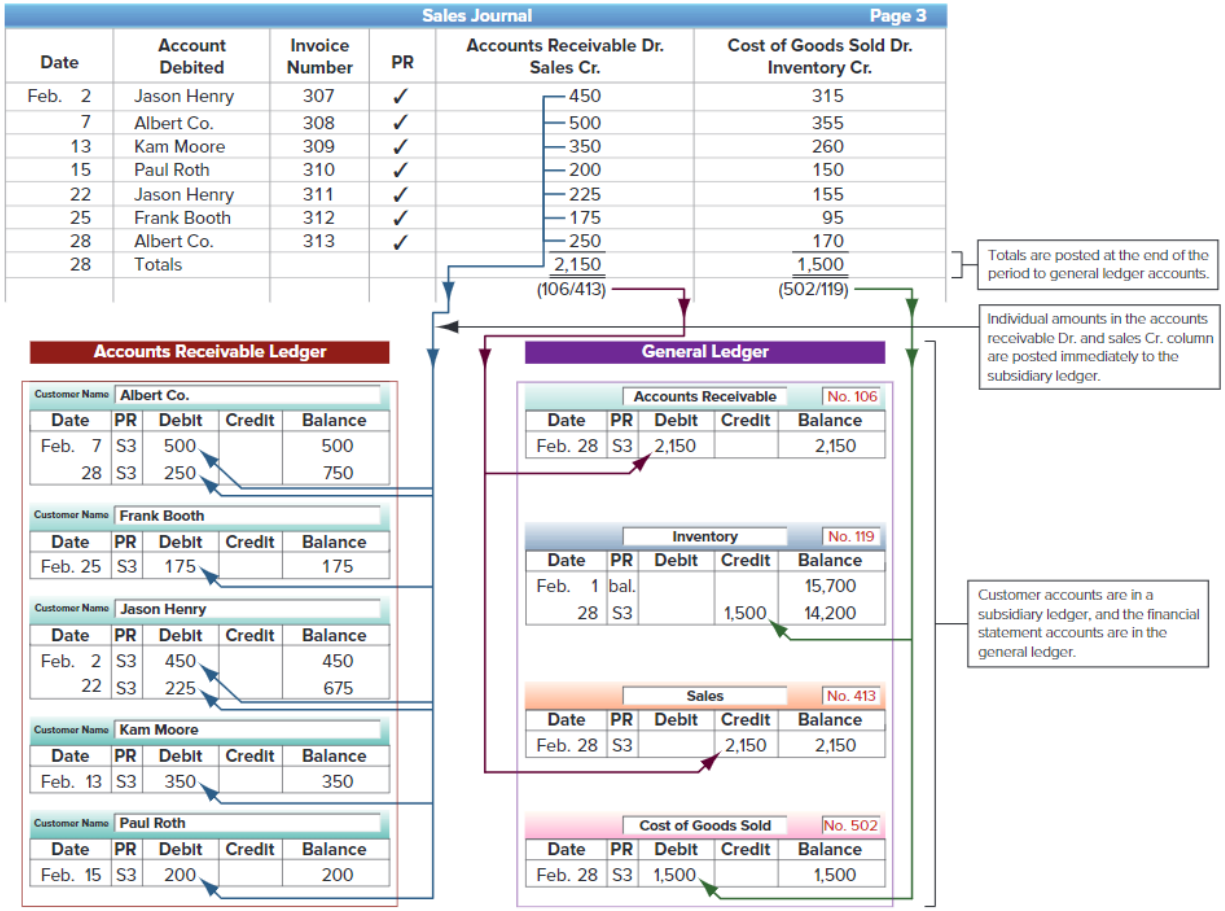
Sales Journal

Exhibit 7.5


Sales Journal Page 3
Date | Account Debited | Invoice Number | PR | Accounts Receivable Dr. Sales Cr. | Cost of Goods Sold Dr. Inventory Cr.
Feb. 2 | Jason Henry | 307 | ✓ | 450 | 315
7 | Albert Co. | 308 | ✓ | 500 | 355
13 | Kam Moore | 309 | ✓ | 350 | 260
15 | Paul Roth | 310 | ✓ | 200 | 150
22 | Jason Henry | 311 | ✓ | 225 | 155
25 | Frank Booth | 312 | ✓ | 175 | 95
28 | Albert Co. | 313 | ✓ | 250 | 170
28 | Totals | | | 2,150 | 1,500
(106/413) (502/119)
Totals are posted at the end of the period to general ledger accounts.
Individual amounts in the accounts receivable Dr. and sales Cr. column are posted immediately to the subsidiary ledger.
Accounts Receivable Ledger
Customer Name Albert Co.
Date PR Debit Credit Balance
Feb. 7 S3 500 500
28 S3 250 750
Customer Name Frank Booth
Date PR Debit Credit Balance
Feb. 25 S3 175 175
Customer Name Jason Henry
Date PR Debit Credit Balance
Feb. 2 S3 450 450
22 S3 225 675
Customer Name Kam Moore
Date PR Debit Credit Balance
Feb. 13 S3 350 350
Customer Name Paul Roth
Date PR Debit Credit Balance
Feb. 15 S3 200 200
General Ledger
Accounts Receivable No. 106
Date PR Debit Credit Balance
Feb. 28 S3 2,150 2,150
Inventory No. 119
Date PR Debit Credit Balance
Feb. 1 bal. 15,700
28 S3 1,500 14,200
Sales No. 413
Date PR Debit Credit Balance
Feb. 28 S3 2,150 2,150
Cost of Goods Sold No. 502
Date PR Debit Credit Balance
Feb. 28 S3 1,500 1,500
Customer accounts are in a subsidiary ledger, and the financial statement accounts are in the general ledger.

Learning Objective P1: Journalize and post transactions using a sales journal.

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Proving the Ledgers

A schedule of accounts receivable lists each customer and the balance owed.

Schedule of Accounts Receivable February 28	
Albert Co	$ 750
Frank Booth	175
Jason Henry	675
Kam	350
Total accounts receivable	$2,150

Exhibit 7.6

The balance of the Accounts Receivable controlling account in the general ledger should equal the accounts in the accounts receivable subsidiary ledger.

Learning Objective P
sales journal.

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Sales Returns and Allowances

If a company has few sales returns, they may be recorded in the General Journal.

May 17	Sales Returns and Allowances	414	175
	Accounts Receivable—Ray Ball	106/✓	175
	Customer returned merchandise		

A company with many sales returns may use a Sales Returns and Allowances Journal.

Learning Objective P1: Journalize and post transactions using a sales journal.

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Learning Objective P2

Journalize and post transactions using a cash receipts journal.

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Cash Receipts Journal

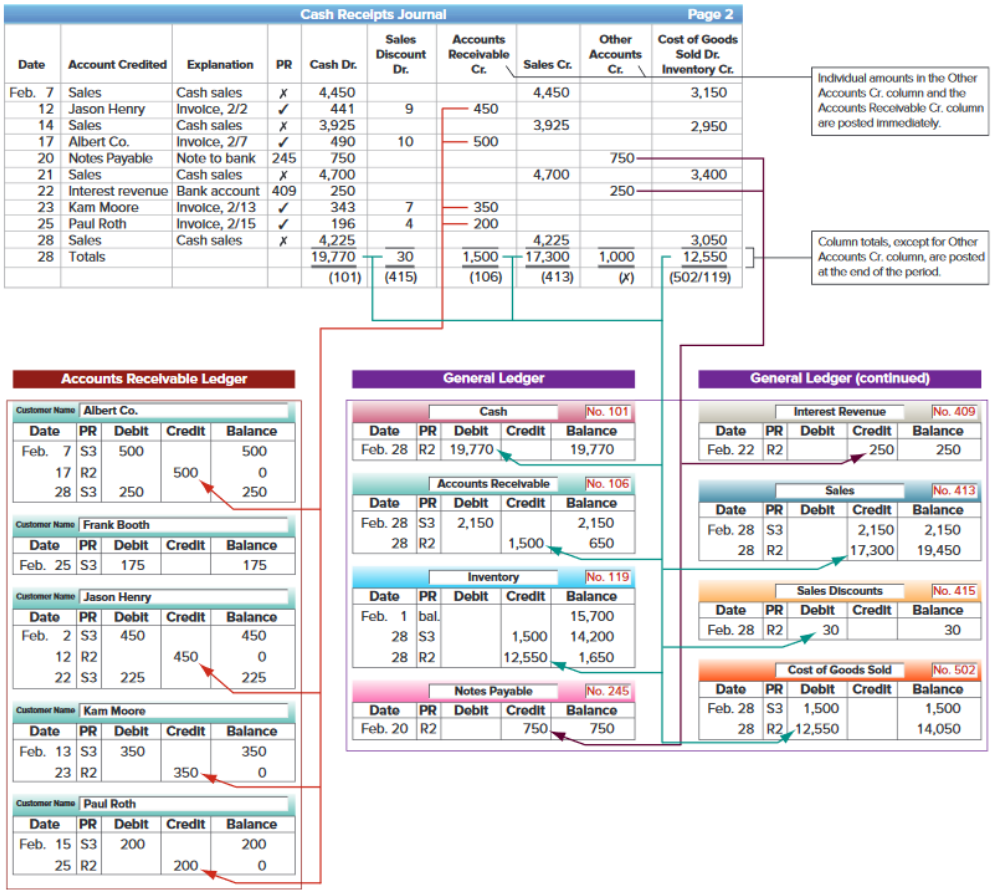
Cash Receipts Journal
Page 2
Individual amounts in the Other Accounts Cr. column and the Accounts Receivable Cr. column are posted immediately.
Column totals, except for Other Accounts Cr. column, are posted at the end of the period.
Accounts Receivable Ledger
General Ledger
General Ledger (continued)

Exhibit 7.7

Types of Cash Receipts

1. Cash from credit customers.
2. Cash from cash sales.
3. Cash from other sources.

Learning Objective P2: Journalize and post transactions using a cash receipts journal.

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Footing, Crossfooting, and Posting

Exhibit 7.8

Debit Columns		Credit Columns	
Cash	$19,770	Accounts Receivable	$ 1,500
Sales Discounts	30	Sales	17,300
Cost of Goods Sold	12,550	Other Accounts	1,000
		Inventory	12,550
Total	$32,350	Total	$32,350

Learning Objective P2: Journalize and post transactions using a cash receipts journal.

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Learning Objective P3

Journalize and post transactions using a purchases journal.

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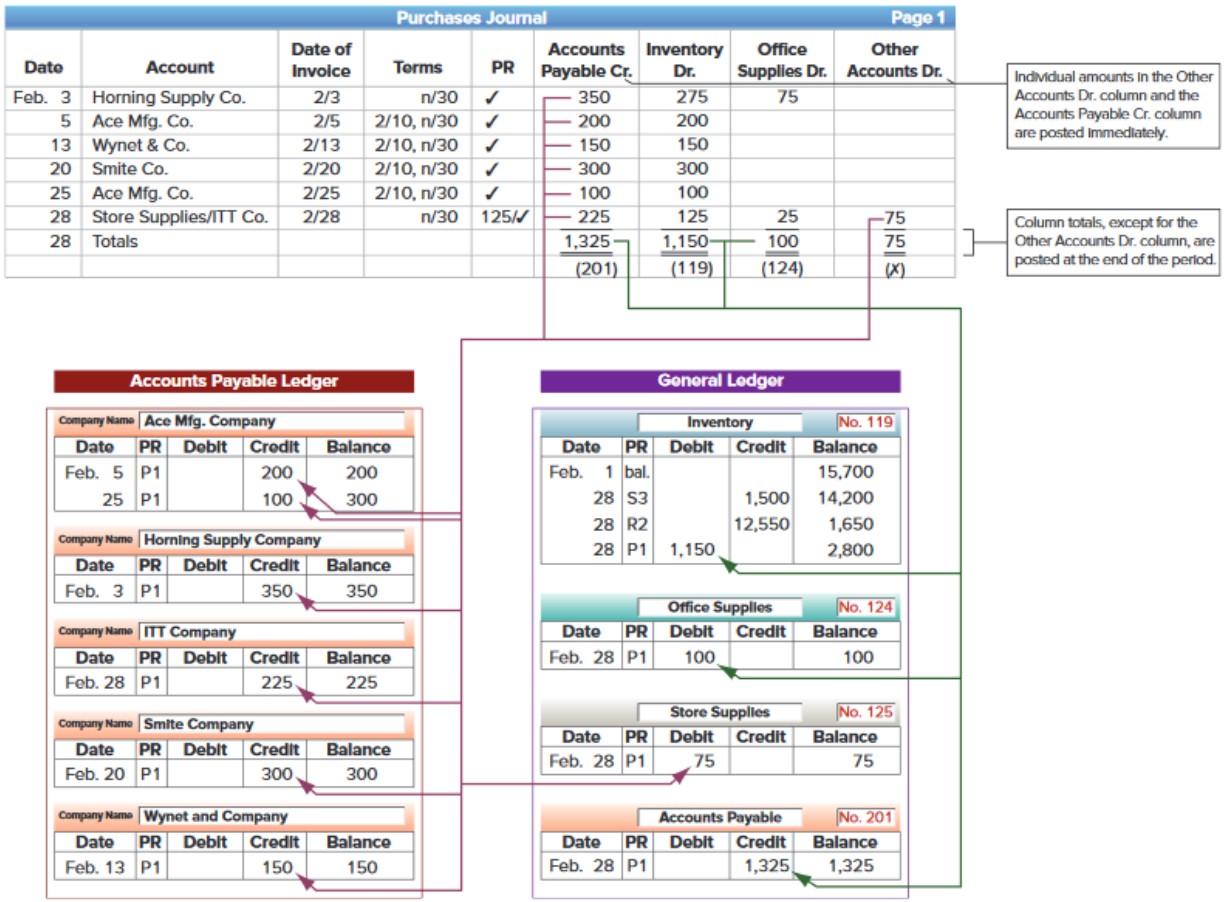
Purchases Journal



Purchases Journal — Page 1

Date	Account	Date of Invoice	Terms	PR	Accounts Payable Cr.	Inventory Dr.	Office Supplies Dr.	Other Accounts Dr.
Feb. 3	Horning Supply Co.	2/3	n/30	✓	350	275	75	
5	Ace Mfg. Co.	2/5	2/10, n/30	✓	200	200		
13	Wynet & Co.	2/13	2/10, n/30	✓	150	150		
20	Smite Co.	2/20	2/10, n/30	✓	300	300		
25	Ace Mfg. Co.	2/25	2/10, n/30	✓	100	100		
28	Store Supplies/ITT Co.	2/28	n/30	125/✓	225	125	25	75
28	Totals				1,325	1,150	100	75
					(201)	(119)	(124)	(X)

Individual amounts in the Other Accounts Dr. column and the Accounts Payable Cr. column are posted immediately.

Column totals, except for the Other Accounts Dr. column, are posted at the end of the period.

Accounts Payable Ledger

Company Name: Ace Mfg. Company

Date	PR	Debit	Credit	Balance
Feb. 5	P1		200	200
25	P1		100	300

Company Name: Horning Supply Company

Date	PR	Debit	Credit	Balance
Feb. 3	P1		350	350

Company Name: ITT Company

Date	PR	Debit	Credit	Balance
Feb. 28	P1		225	225

Company Name: Smite Company

Date	PR	Debit	Credit	Balance
Feb. 20	P1		300	300

Company Name: Wynet and Company

Date	PR	Debit	Credit	Balance
Feb. 13	P1		150	150

General Ledger

Inventory No. 119

Date	PR	Debit	Credit	Balance
Feb. 1	bal.			15,700
28	S3		1,500	14,200
28	R2		12,550	1,650
28	P1	1,150		2,800

Office Supplies No. 124

Date	PR	Debit	Credit	Balance
Feb. 28	P1	100		100

Store Supplies No. 125

Date	PR	Debit	Credit	Balance
Feb. 28	P1	75		75

Accounts Payable No. 201

Date	PR	Debit	Credit	Balance
Feb. 28	P1		1,325	1,325

Exhibit 7.9

Learning Objective P3: Journalize and post transactions using a purchases journal.

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Proving the Ledger

A schedule of accounts payable lists each supplier and the balance owed to them.

Schedule of Accounts Payable February 28	
Ace Mfg. Company.	$ 300
Horning Supply Company.	350
ITT Company	225
Smite	300
Total accounts payable.	$1,325

The balance of the Accounts Payable controlling account in the general ledger should equal the accounts in the accounts payable subsidiary ledger.

Learning Objective P3: purchases journal.

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Learning Objective P4

Journalize and post transactions using a cash payments journal.

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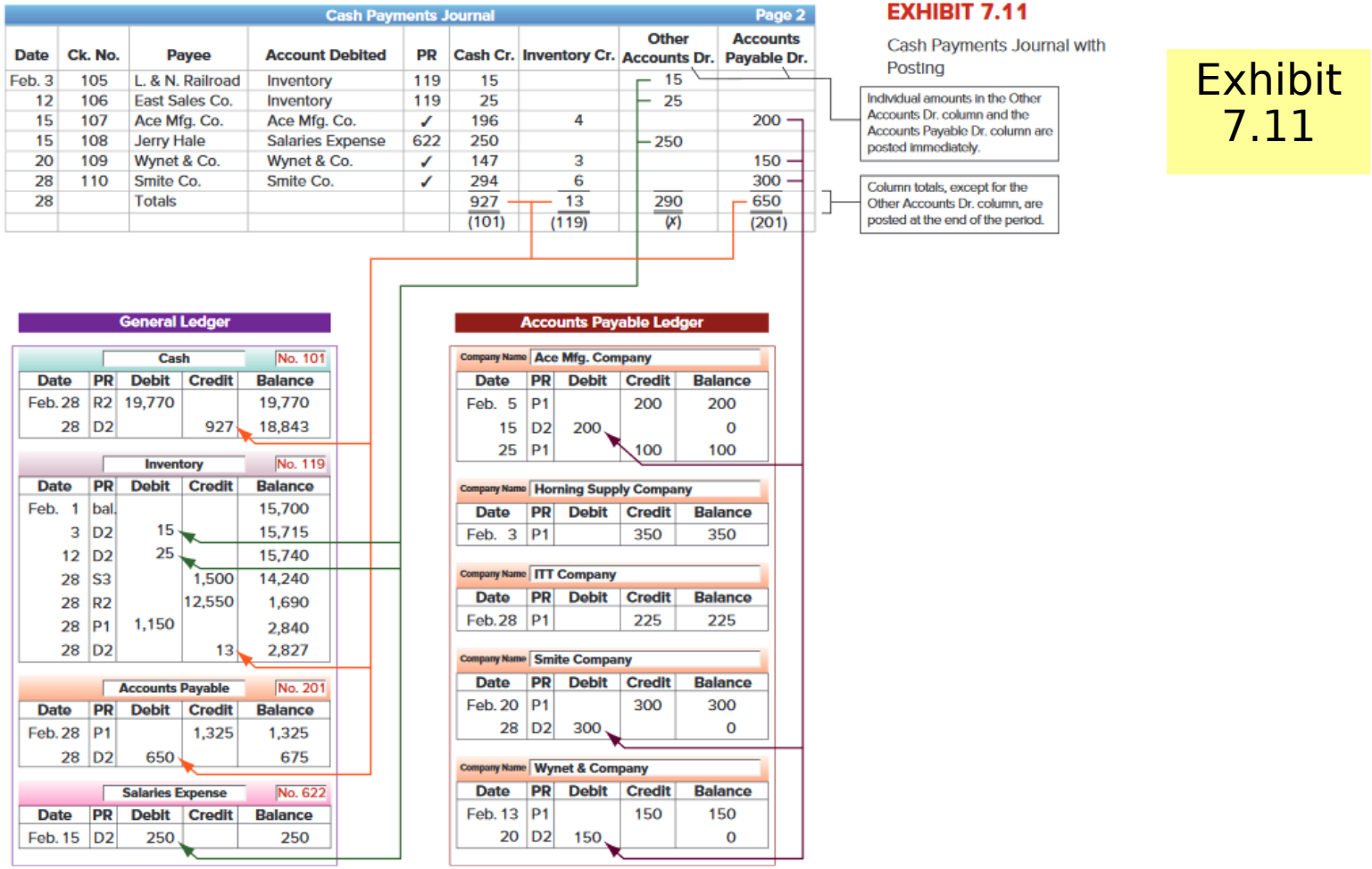
Cash Payments Journal



Cash Payments Journal — Page 2

Date	Ck. No.	Payee	Account Debited	PR	Cash Cr.	Inventory Cr.	Other Accounts Dr.	Accounts Payable Dr.
Feb. 3	105	L. & N. Railroad	Inventory	119	15		15	
12	106	East Sales Co.	Inventory	119	25		25	
15	107	Ace Mfg. Co.	Ace Mfg. Co.	✓	196	4		200
15	108	Jerry Hale	Salaries Expense	622	250		250	
20	109	Wynet & Co.	Wynet & Co.	✓	147	3		150
28	110	Smite Co.	Smite Co.	✓	294	6		300
28		Totals			927	13	290	650
					(101)	(119)	(✗)	(201)

EXHIBIT 7.11

Cash Payments Journal with Posting

Individual amounts in the Other Accounts Dr. column and the Accounts Payable Dr. column are posted immediately.

Column totals, except for the Other Accounts Dr. column, are posted at the end of the period.

General Ledger

Cash No. 101

Date	PR	Debit	Credit	Balance
Feb. 28	R2	19,770		19,770
28	D2		927	18,843

Inventory No. 119

Date	PR	Debit	Credit	Balance
Feb. 1	bal.			15,700
3	D2	15		15,715
12	D2	25		15,740
28	S3		1,500	14,240
28	R2		12,550	1,690
28	P1	1,150		2,840
28	D2		13	2,827

Accounts Payable No. 201

Date	PR	Debit	Credit	Balance
Feb. 28	P1		1,325	1,325
28	D2	650		675

Salaries Expense No. 622

Date	PR	Debit	Credit	Balance
Feb. 15	D2	250		250

Accounts Payable Ledger

Company Name: **Ace Mfg. Company**

Date	PR	Debit	Credit	Balance
Feb. 5	P1		200	200
15	D2	200		0
25	P1		100	100

Company Name: **Horning Supply Company**

Date	PR	Debit	Credit	Balance
Feb. 3	P1		350	350

Company Name: **ITT Company**

Date	PR	Debit	Credit	Balance
Feb. 28	P1		225	225

Company Name: **Smite Company**

Date	PR	Debit	Credit	Balance
Feb. 20	P1		300	300
28	D2	300		0

Company Name: **Wynet & Company**

Date	PR	Debit	Credit	Balance
Feb. 13	P1		150	150
20	D2	150		0

Exhibit 7.11

Learning Objective P4: Journalize and post transactions using a cash payments journal.

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General Journal Transaction Examples

Receipt of a Note Receivable

Purchase Returns & Allowances

Purchase of plant assets by Note Payable

Sales Returns & Allowances

Adjusting & Closing Entries

Learning Objective P4: Journalize and post transactions using a cash payments journal.

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Technology-Based Accounting Systems

Off-the-Shelf Software

Familiar accounting programs such as Sage 50 and QuickBooks® are designed to be user friendly and menu driven.

Integrated Software

Actions taken in one part of the system automatically affect related parts. For instance, when a credit sale is entered, several parts of the system are automatically

Learning Objective P4: Journalize and post transactions using a cash payments journal.

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Data Processing in Accounting

- Online processing enters and processes data immediately.
- Batch processing accumulates information for a period of time and then processes all the data at one time (daily, weekly, or monthly).

Learning Objective P4: Journalize and post transactions using a cash payments journal.

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Computer Networks in Accounting

Computer networks are links among computers giving users access to common databases and programs.

Learning Objective P4: Journalize and post transactions using a cash payments journal.

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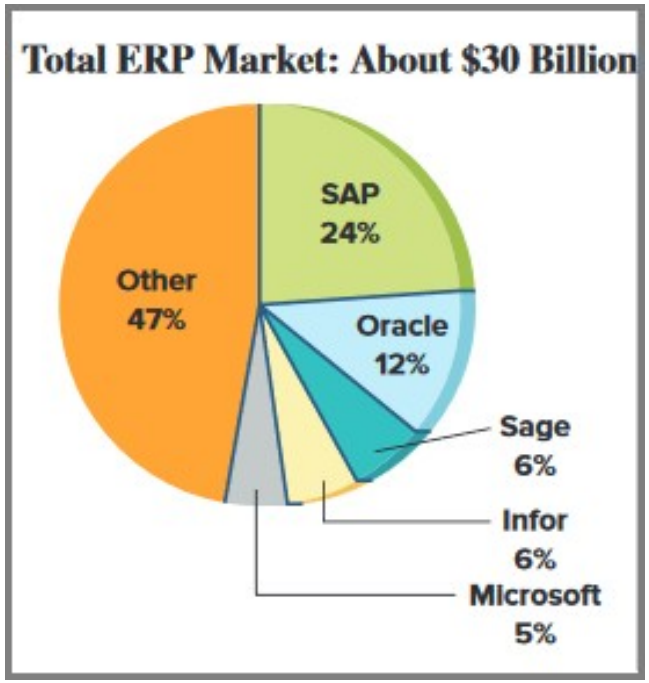
Enterprise Resource Planning Software (ERP)

Programs that manage and integrate a company's vital operations.



Learning Objective P4: Journalize and post transactions using a cash payments journal.

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Data Analytics and Data Visualization

Data analytics – process of analyzing data to identify meaningful relations and trends.

- **Helps staff make data driven decisions**
- **Tracks their progress relative to projections.**

Data visualization – graphical presentation of data to help people understand its significance.

- **Creates meaningful visuals to help key**

Learning Objective P4: Journalize and post transactions using a cash payments journal.

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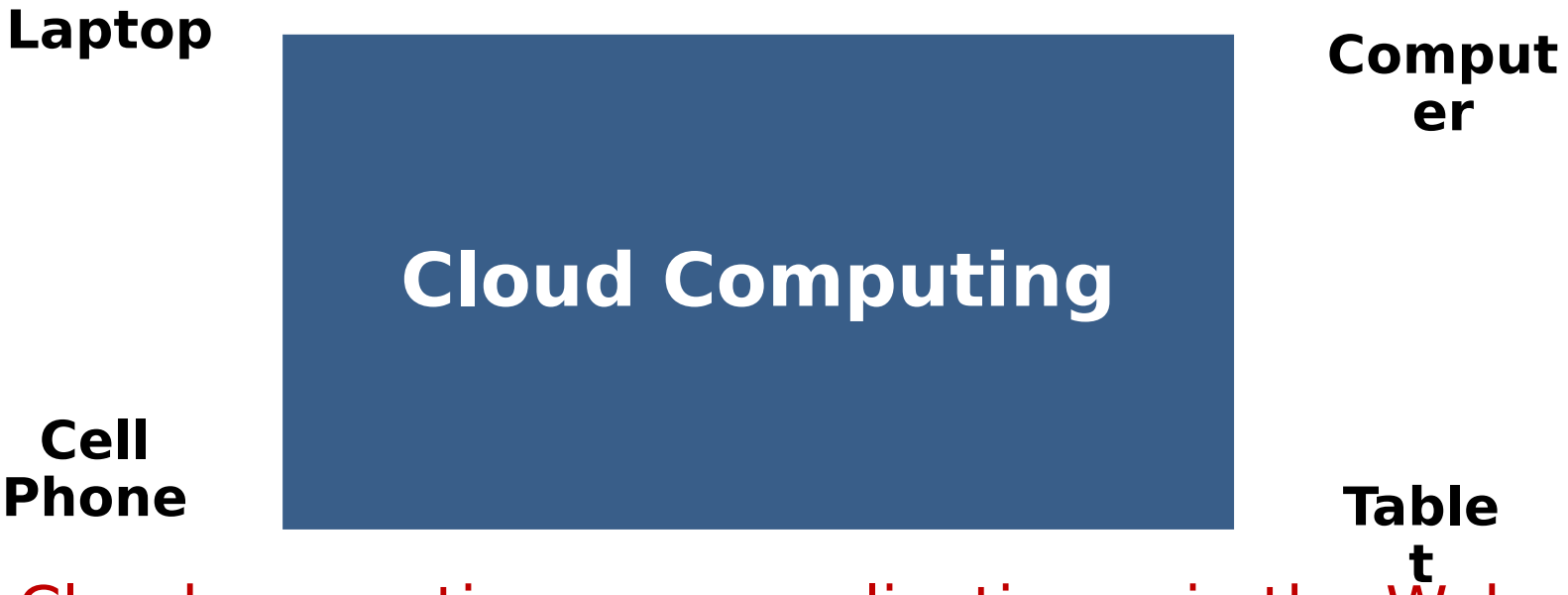
Cloud Computing

Cloud computing is the delivery of computing as a service rather than a product.



Cloud computing uses applications via the Web instead of installing them on one's own computer.

Learning Objective P4: Journalize and post transactions using a cash payments journal.

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Learning Objective A1

Compute days' payable outstanding and explain its use in assessing payments to suppliers.

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Days' Payable Outstanding

Exhibits 7.12 & 7.13

$$\text{Days' payable outstanding} = \frac{\text{Accounts payable}}{\text{Cost of goods sold}} \times 365$$

Company	Figure ($ millions)	Current Year	One Year Prior	Two Years Prior
Costco	Accounts payable	$ 11,679	$ 11,237	$ 9,608
	Cost of goods sold	$132,886	$123,152	$111,882
	Days' payable outstanding	**32.1 days**	**33.3 days**	**31.3 days**
Walmart	**Days' payable outstanding**	**44.6 days**	**45.1 days**	**41.9 days**

Learning Objective A1: Compute days' payable outstanding and explain its use in assessing payments to suppliers.

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End of Chapter 7

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